October 29, 2025

VLCC Limited (erstwhile VLCC Health Care Limited): Ratings downgraded to [ICRA]BBB (Stable)/ [ICRA]A3+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term-Fund-based/ Term Loan	126.10	146.77	[ICRA]BBB (Stable); downgraded from [ICRA]BBB+ (Stable)
Short-term-Fund-based/ Non fund Based	59.50	35.34	[ICRA]A3+; downgraded from [ICRA]A2
Long-term- Unallocated	0.40	3.89	[ICRA]BBB (Stable); downgraded from [ICRA]BBB+ (Stable)
Total	**186.00**	**186.00**	

**Instrument details are provided in Annexure I*

Rationale

ICRA has taken a consolidated view of VLCC Limited (VLCC) and its subsidiaries, VLCC Personal Care Limited (VLPC) and VLCC International Inc., collectively referred to as the Group, while assigning the ratings, given the common management as well as strong operational and financial linkages among the entities.

The revision in the ratings factors in the weakening in the financial metrics of the Group due to continued profitability pressure across its segments, following decline in discretionary spending (impacting the wellness segment), increasing competition in the personal care space as well as continued muted performance in the international segment. The Group launched 11 clinics in the month of March-2024 and 47 clinics in FY2025, which are making losses owing to the initial gestation period. This led to a sustained deterioration in the debt coverage indicators, breaching the threshold of negative trigger identified by ICRA. While the Group has taken several cost rationalisation measures in YTD FY2026, which led to some improvement in the operating profit margin, sustainability of the same remains to be seen.

The overall profit margin of the Group deteriorated significantly in FY2025 with a decline in the OPBDITA margin to 9.5% in FY2025 (as per provisional financials) from 23.0% in FY2023. The same was driven by muted same store sales growth in the existing clinics and higher operational cost as around 45 stores (net) were opened in FY2025, of which 60% commenced operations from H2 FY2025 (new stores take around 12-15 months to touch breakeven). Additionally, weak macro-economic sentiments in the fast moving consumer goods (FMCG) segment and increasing competition from quick commerce impacted the product segment. Along with debt-funded expansion, this led to pressure on its debt protection metrics, with total debt to OPBDITA of 7.1 times in FY2025 (as per provisional financials) vis-à-vis 3.2 times in FY2024. Moreover, the company's interest coverage also moderated and stood at 1.0 times in FY2025 from 2.2 times in FY2024, which remained weaker than anticipated.

The ratings, however, continue to factor in the long track record of more than two decades of the VLCC Group in the domestic wellness industry. In addition, its established brand as well as presence across the segments (slimming and beauty, products business and education institutes) in India as well as few other geographies facilitate cross-selling opportunities for the Group's offerings.

ICRA further notes VLCC's acquisition of Happily Unmarried Private Limited (HUMPL) which is into men's grooming vertical under the brand name of "Ustraa" for a total consideration of Rs. 192 crore in August 2023, funded through a mix of cash and share swap. While this has resulted in some moderation in the liquidity position of the company, the management believes that they will be able to leverage Ustraa's online presence to cross sell VLCC's products and VLCC's offline presence to cross sell Ustraa's products. ICRA also understands that the Group has been able to significantly curtail losses from Ustraa in FY2025 through stringent cost control measures and the segment is expected to break even in FY2026.

The ratings remain constrained by the significant competition across the Group's business segments, both in the wellness services as well as products business. The advent of various new age brands has intensified competition in this space. VLCC's ability to sustain its market position will be key for maintaining its comfortable credit profile. Further, the company's ability to consistently focus on new product development will be critical, going forward, amid stringent competition in the products vertical. Moreover, retaining a talented workforce is crucial for the services business.

The Stable outlook on the long-term rating reflects ICRA's opinion that the credit metrics of the VLCC Group will gradually improve, going forward, led by stabilisation of new stores as well as cost rationalisation initiatives taken in the product segment.

Key rating drivers and their description

Credit strengths

Extensive experience of the founder promoters in the industry with presence of over three decades; established brand name in the domestic wellness market – VLCC has an established track record of over three decades in the domestic wellness industry. The Group enjoys a healthy brand recall as a large and prominent player in the industry. It has a professional management team, which has strengthened further under the ownership of Carlyle (global investment firm). However, the stake of the Carlyle Group reduced to 51.73% from 62.44% on March 31, 2024 as on March 31, 2025 as it diluted a part of its stake to Alpha Wave Ventures II, LP, though it still remains the controlling investor in the Group.

Diversified product and services offerings – The Group has diversified product and services offerings in the wellness segment, which facilitate cross-selling opportunities. The Group's position is further supported by its wide geographical reach with 217 wellness centres (including 162 owned centres and 55 franchise centres) and 102 educational/vocational institutes in India along with 21 centres outside India as on March 31, 2025, partially insulating it from adverse developments in any particular market. Moreover, the acquisition of the brand, Ustraa, has provided the Group an entry into the men's grooming vertical, thus diversifying its reach from the largely women-centric grooming vertical.

Credit challenges

Weak debt protection metrics – The overall profit margins of the Group deteriorated significantly in FY2025 (as per provisional financials) with a decline in the OPBDITA margin to 9.5% in FY2025 from 23.0% in FY2023, driven by muted same store sales growth in existing clinics and higher operational cost for new stores as around 45 stores (net) were opened in FY2025, of which 60% commenced operations from H2 FY2025 . Additionally, weak macro-economic sentiments in FMCG segment and increasing competition from quick commerce impacted the product segment. The performance of the internation business also remained muted in FY2025. Coupled with debt funded expansion, debt protection metrics witnessed pressure with total debt to OPBDITA of 7.1 times in FY2025 vis-à-vis 3.2 times in FY2024 against the negative trigger identified by ICRA of TD/OPBIDTA of more than 2.3 times. Moreover, the interest coverage also moderated and stood at 1.0 times in FY2025 against 2.2 times in FY2024. While the Group has taken several cost rationalisation measures in YTD FY2026, which led to some improvement in the operating profit margin, sustainability of the same is yet to be seen and this remains a key monitorable.

Exposed to intense competition in the industry; need to focus on new product development – The Group faces significant competition in its various business segments, from mainly smaller/unorganised players at the local level and from large, organised players, particularly in the products category. Apart from the existing as well as new entrants, operations in the weight-loss and wellness segments are also subject to competition from alternative formats (such as gyms), which may pose a challenge to augment footfalls. Amid such competition, the Group will need to keep incurring adequate marketing expenses to drive growth and maintain brand recognition. The competition is more stringent in the products division, where the company competes with big FMCG corporations as well as many new-age brands along with growing competition from quick commerce. Therefore, continued focus on new product development remains critical.

Risk of talent attrition – The VLCC Group is in the business of providing services, which revolves mainly around its employees and on-ground workforce. Due to such dependence, the risk of attrition in quality and talented workforce results in deterioration in the quality of its services. Therefore, the risk of attrition remains a key challenge for the VLCC Group in both domestic as well as in international markets.

Liquidity position: Adequate

The VLCC Group has adequate liquidity, emanating out of modest cash flow from operations with the Group having free cash and bank balance and liquid investments of Rs. 28.0 crore, and unutilised fund-based working capital facilities of Rs. 27.20 crore as on August 31, 2025. Against this, the company has debt repayments of Rs. 30.86 crore and Rs. 56.97 crore, respectively in FY2026 and FY2027, pertaining to loans outstanding as on August 31, 2025. The envisaged capex at the Group level is limited to Rs. 25-30 crore in the current fiscal. Moreover, in 4M FY2026, the Group availed term loan of Rs. 60 crore from Hero Fincorp for repayment of existing debt and creditor and working capital requirement.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the Group is able to record a sustained improvement in its earnings by way of scale-up of new stores, resulting in improvement in profitability and debt coverage metrics along with maintaining adequate liquidity position.

Negative factors – Pressure on the ratings could emerge if there is a continuous decline in earnings. Any sustained debt-funded capex towards store expansion, resulting in a deterioration in coverage indicators and weakening of the liquidity profile on a continuous basis, could lead to ratings downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of VLCC Limited. As on March 31, 2024, the company had two subsidiaries, which are all enlisted in Annexure-2

About the company

Incorporated in October 1996, VLCC Health Care Limited (VLHC) provides beauty, slimming, fitness and health services across domestic and international geographies and sells beauty/personal care products. Its name was changed to VLCC Limited in FY2025.

VLCC's operations, at a group level, can be broadly divided into three categories, namely wellness (slimming and beauty), education and personal care products (product-sales). While the domestic wellness and education (vocational training courses) businesses are housed under VLCC HC, the international wellness operations are under VLCC's subsidiary, VLCC International Inc. (VLCC International). The personal care products business (manufacturing and sales) is mainly carried out under another subsidiary, VLCC Personal Care Limited. VLCC International, in turn, operates through ~10 subsidiaries and step-down subsidiaries as on March 31, 2025.

In August 2023, VLCC acquired Happily Unmarried Private Limited (HUMPL) which is into men's grooming vertical under the brand name of "Ustraa" for a total consideration of Rs. 192 crore to venture into men's grooming vertical effective from September 1, 2023.

Key financial indicators (audited)

Consolidated	FY2023	FY2024	FY2025*
Operating income	799.8	963.6	952.2
PAT	-60.3	-40.6	-146.3
OPBDIT/OI	23.0%	13.7%	9.5%
PAT/OI	-7.5%	-4.2%	-15.4%
Total outside liabilities/Tangible net worth (times)	1.3	1.6	2.3
Total debt/OPBDIT (times)	1.2	3.2	7.1
Interest coverage (times)	3.6	2.2	1.0

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional Numbers*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current ratings (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Oct 29, 2025	Date	Rating	Date	Rating	Date	Rating
Fund Based-Term Loan	Long Term	146.77	**[ICRA]BBB (Stable)**	May-31-24	[ICRA]BBB+ (Stable)	-	-	Feb-09-23	[ICRA]BBB+ (Stable)
			-	Jul-23-24	[ICRA]BBB+ (Stable)	-	-	-	-
			-	Oct-28-24	[ICRA]BBB+ (Stable)	-	-	-	-
			-	Nov-26-24	[ICRA]BBB+ (Stable)	-	-	-	-
Fund Based/ Non-fund Based	Short Term	35.34	**[ICRA]A3+**	May-31-24	[ICRA]A2	-	-	Feb-09-23	[ICRA]A2
			-	Jul-23-24	[ICRA]A2	-	-	-	-
			-	Oct-28-24	[ICRA]A2	-	-	-	-
			-	Nov-26-24	[ICRA]A2	-	-	-	-
Unallocated	Long Term	3.89	**[ICRA]BBB (Stable)**	May-31-24	[ICRA]BBB+ (Stable)	-	-	Feb-09-23	[ICRA]BBB+ (Stable)
			-	Jul-23-24	[ICRA]BBB+ (Stable)	-	-	-	-
			-	Oct-28-24	[ICRA]BBB+ (Stable)	-	-	-	-
			-	Nov-26-24	[ICRA]BBB+ (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term-Fund based/Term Loan	Simple
Short-term-Fund based/Non-fund Based	Simple
Unallocated Limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Term loan**	22-02-2024	9%-10%	22-03-2031	146.77*	[ICRA]BBB (Stable)
NA	**Fund-based/Non-fund Based**	-	NA	-	35.34	[ICRA]A3+
NA	**Unallocated Limits**	-	NA	-	3.89	[ICRA]BBB (Stable)

*Source: Company; *outstanding as on September 30,2025*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
VLCC Limited (erstwhile VLCC Health Care Limited)	Holding company	Full consolidation
VLCC Personal Care Limited	100%	Full consolidation
VLCC International Inc.	100%	Full consolidation
Happily Unmarried Marketing Pvt Ltd.	100%	Full Consolidation

Source: Company

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